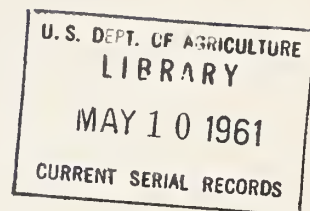


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Milk Distributors



**Sales and Costs
Oct.-Dec. 1960**

U.S. DEPARTMENT OF AGRICULTURE
Economic Research Service.

MDSC No. 17

MILK DISTRIBUTORS' SALES AND COSTS

October - December 1960

By D. D. MacPherson and Helen V. Smith
Marketing Economics Division
Economic Research Service

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: This report is the current issue of a series based upon information :
: obtained from distributors of fluid milk and cream products. These :
: distributors are subscribers to a cost comparison service which :
: furnished the Department with tabular data for analysis. A uniform :
: accounting system is used, and information is given on standardized :
: forms. Data reported include: Costs and quantities of raw milk :
: and other raw materials; prices and quantities of products sold; :
: and operating costs. :
:
: The firms selected are privately owned, and chiefly single-plant :
: firms. In these characteristics they are considered to be typical. :
: Very small firms, very large firms, national chains, and producer- :
: distributors are not included. :
:

SALES AND COSTS

In 1960, sales value and costs for fluid milk distributors per 100 pounds of milk and cream processed were little changed from a year earlier. Net sales receipts and cost of materials were a little higher; gross margin, operating costs, and net margin were about the same.

In the October-December quarter of 1960, net sales receipts and cost of materials were seasonally higher; they were also higher than in the October-December quarter of 1959. Gross margin, operating costs, and net margin were all lower.

Net Sales Receipts

In 1960, net receipts from sales were \$11.25 per 100 pounds of milk and cream processed--up 9 cents from 1959 and the highest in the past 8 years. However, net sales receipts were still 7 cents lower than in 1952. Net sales receipts have generally been quite stable: The average year-to-year variation has been less than 2 percent for the past 9 years and less than 1 percent for the past 5 years.

In the October-December quarter of 1960 net sales receipts were the highest for any quarter since 1953. At \$11.41, they were 18 cents higher than the previous quarter and 7 cents higher than a year earlier. The increase over the previous quarter was less than in most earlier years (fig. 1).

April 1961

Table 1.--COSTS AND MARGINS FOR SELECTED DAIRY FIRMS: Per 100 pounds of milk and cream processed, for years 1952-60, and for the 5 most recent quarters

Account	Yearly average											
	1952					1959					1960	
	Dol.	Dol.	Dol.	Dol.	Dol.	Oct.- Dec.	Oct.- Dec.	Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.	Oct.- Dec.
Net sales receipts 1/.....	11.32	11.12	10.69	10.95	11.22	11.15	11.05	11.16	11.25	11.34	11.17	11.23
Cost of materials for processing and resale:												
Raw milk and cream.....	5.85	5.43	5.07	5.12	5.39	5.23	5.13	5.10	5.11	5.30	4.88	5.03
Other.....	.82	.86	.83	.89	.76	.77	.70	.80	.87	.82	.76	.93
Total.....	6.67	6.29	5.90	6.01	6.15	6.00	5.83	5.90	5.98	6.12	5.92	5.96
Gross margins.....	4.65	4.83	4.79	4.94	5.03	5.15	5.22	5.26	5.27	5.22	5.40	5.27
Operating costs:												
Salaries, wages, and commissions 2/.....	2.15	2.19	2.21	2.28	2.43	2.50	2.56	2.61	2.62	2.61	2.64	2.64
Containers.....	.60	.62	.65	.70	.72	.71	.70	.69	.66	.65	.65	.67
Operating supplies.....	.30	.32	.35	.32	.28	.29	.29	.29	.30	.30	.30	.30
Repairs, rent, and depreciation.....	.50	.52	.57	.60	.64	.67	.68	.67	.66	.69	.65	.67
Taxes.....	.06	.06	.06	.06	.05	.06	.06	.06	.06	.06	.06	.06
Insurance.....	.02	.02	.03	.04	.04	.04	.04	.04	.05	.04	.05	.05
Services.....	.16	.19	.19	.18	.17	.17	.17	.17	.18	.17	.17	.20
Advertising.....	.15	.15	.16	.18	.19	.18	.18	.18	.18	.18	.19	.19
General.....	.15	.13	.13	.14	.16	.15	.16	.16	.15	.18	.14	.15
Total.....	4.09	4.20	4.35	4.50	4.68	4.77	4.84	4.87	4.86	4.90	4.83	4.92
Net margins 3/.....	.56	.63	.44	.44	.35	.38	.38	.39	.41	.32	.44	.35
Firms reporting.....	43	51	75	83	80	80	80	80	80	80	80	80

1/ Gross sales receipts less discounts, allowances, and returns.

2/ Includes State unemployment, Federal old age, workmens' compensation, and employee benefits.

3/ Net returns to owners before income taxes.

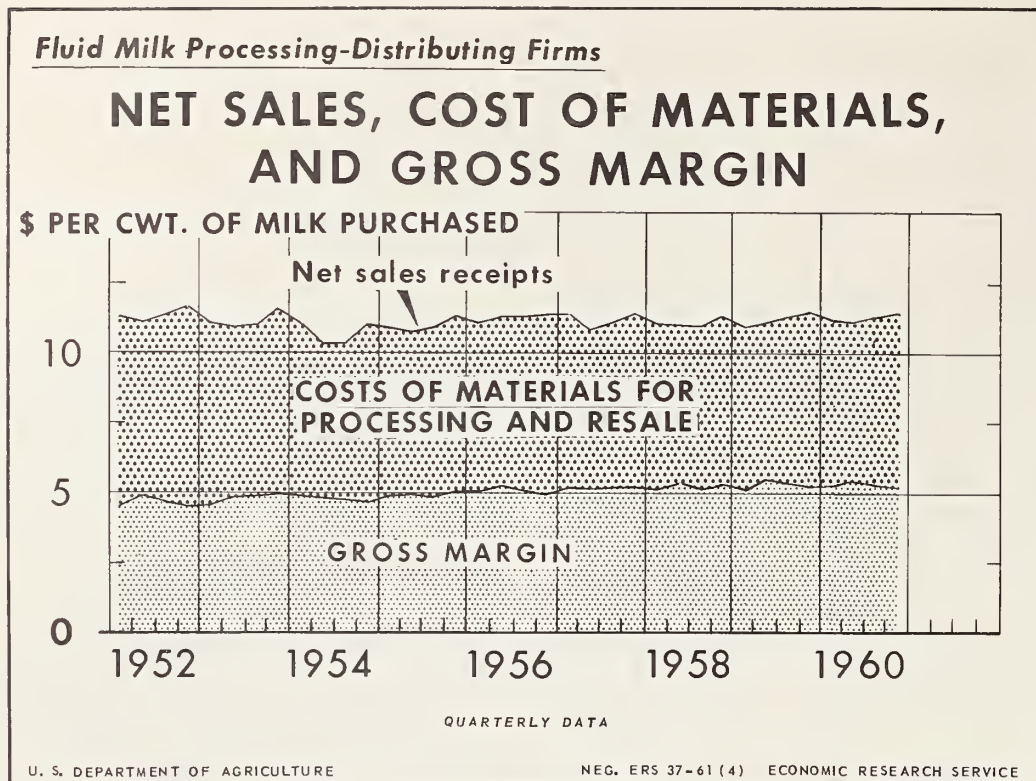


Figure 1

Cost of Materials for Processing and Resale

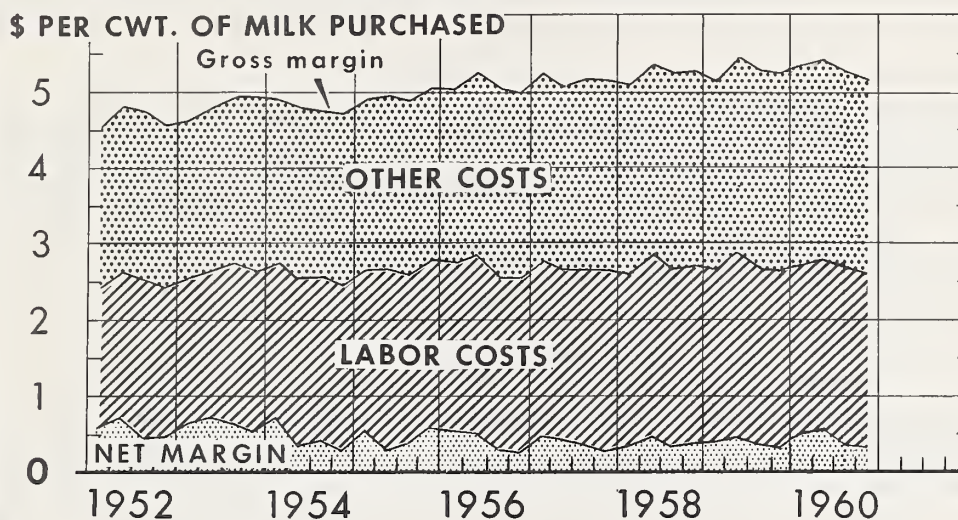
The cost of materials for processing and resale was \$5.98 in 1960--up 8 cents from 1959. The average cost of raw milk and cream for all uses has been stable for the past 3 years; the cost of milk for fluid use has increased a little, but fluid use has declined as a proportion of total milk used; the cost of lower priced milk for nonfluid uses has also increased a little, but the proportion for nonfluid use has risen. The cost of other materials for processing and resale has increased because of increases in the finished products purchased for resale.

In the October-December quarter of 1960, the cost of materials for processing and resale was the highest in the past 4 years. At \$6.25, this cost was 29 cents higher than the previous quarter and 13 cents higher than a year earlier. The quarter-to-quarter increase was about seasonal. The 13-cent increase from a year earlier consisted of 4 cents for raw milk and cream, 7 cents for finished products purchased for resale and 2 cents for inventory adjustment.

Operating Costs

Operating costs in 1960 declined for the first time in 9 years. At \$4.86, the decline of 1 cent from 1959 was not surprising in view of the fact that since 1956 year-to-year increases have been by consistently smaller amounts. Salaries, wages, and commissions increased by only 1 cent in 1960, considerably less than in previous years; costs for containers decreased for the fourth straight year; repairs, rent, and depreciation decreased for the second straight year. The small increase in personnel cost and the decrease in container costs probably resulted from shifts in sales outlets and sizes of containers used (fig. 2).

OPERATING COSTS



* BEFORE INCOME TAX.

QUARTERLY DATA.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 38-61(4) ECONOMIC RESEARCH SERVICE

Figure 2

For the October-December quarter of 1960, operating costs were \$4.85, lower than for the same quarter of 1958 or 1959. Personnel costs were 3 cents lower than a year earlier; repairs, rent, and depreciation were 4 cents lower; insurance and purchased services were each 1 cent higher, and advertising was 2 cents higher. The decrease in personnel costs was the first, except seasonal, in 9 years.

Net margins, for 1960, before income taxes, was 41 cents, 2 cents higher than for 1959. Net margin for the October-December quarter of 1960 was 31 cents, and as in most other years, the lowest for any quarter of the year.

WORK WEEK, EARNINGS, AND RATES OF PAY FOR FLUID MILK FIRMS, 1/ JULY-SEPTEMBER, 1960

Fluid milk firms operate 5 or 6 days a week, according to a study of a representative group of firms for the period July-September 1960. Processing, when operated 5 days a week, frequently is on a schedule of Monday, Tuesday, Thursday, Friday and Saturday. Deliveries, with but few exceptions, are made 6 days a week. Offices operate 5, 5 1/2, or 6 days a week.

The basic work week for fluid milk firms ranged from a low of 38 hours to a high of 60 hours; 40- and 48-hour weeks were most common (fig. 3). Office workers had the shortest basic work week; deliverymen, the longest. Large firms generally

1/ For an independent and somewhat different study see "Wage Structure, Fluid Milk Industry, April-June, 1960", by Fred Mohr, BLS Report 174, Bureau of Labor Statistics, U. S. Department of Labor.

had a shorter basic work week than medium and small firms; and among firms of a given size, northern firms generally had shorter basic work weeks than southern firms.

The 40-hour week predominates. Fifty percent of the firms reported the 40-hour week for plant workers, 38 percent for deliverymen, and 70 percent for office workers.

Relatively few firms reported work weeks of 41-44 hours: about 8 percent of the firms for plant workers, about 6 percent for deliverymen, and about 18 percent for office workers. A week of 45-48 hours was fairly common for plant workers (30 percent of firms) and for deliverymen (35 percent) but infrequent for office workers (9 percent). Work in excess of 48 hours was infrequent except for deliverymen. One plant reported a 38-hour week for office workers.

Plant Workers

With a 40-hour work week, some firms processed milk 8 hours a day, five days a week; others operate 8 hours a day, 6 days a week. In the latter case, with a processing week of 48 hours, each individual employee worked 5 days a week, and 1/6 of the plant employees were off work on each of the 6 processing days. Nearly all firms with a 48-hour week for plant workers processed milk 8 hours a day, 6 days a week.

Size of operations did not appear to be an important factor in length of the work week for plant employees: In large, medium, and small plants, about 50 percent of the firms reported a work week of 40 hours; the 45-48 hour week was more frequent

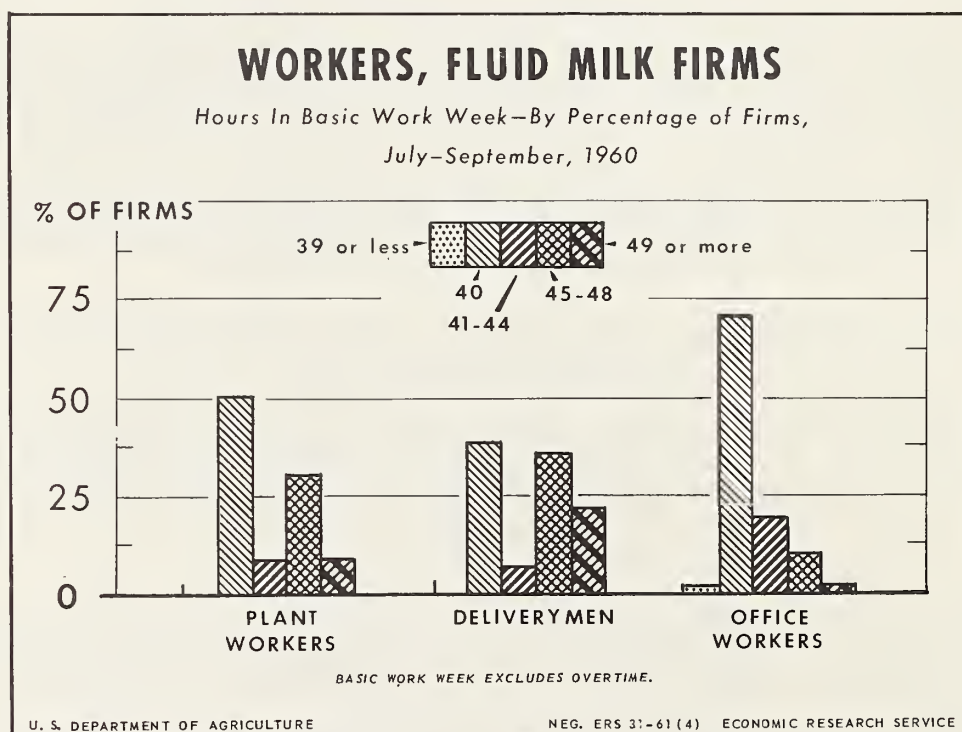


Figure 3

in large and medium plants than in small plants. Geographic location did appear to be important: Sixty percent of the northern firms but only 35 percent of the southern firms reported a 40-hour week for plant workers; on the other hand, 50 percent of the southern firms, but only 18 percent of the northern firms reported a 45-48 hour week (fig. 4).

Deliverymen

Since nearly all delivery operations were on a 6-day week, nearly all firms with a 40-hour week had one "swing" or relief deliveryman for each five regular deliverymen. Each deliveryman works an 8-hour day, 5 days a week. But for 35 percent of the firms, deliverymen work 6 days a week.

Both size of operations and geographic location were important factors in the length of the work week for deliverymen. Nearly 60 percent of the large firms but less than 30 percent of the medium and small firms report a work week of 40 hours for deliverymen. At the other extreme only 11 percent of the large firms but 24 percent of the medium and 28 percent of the small firms reported a work week of more than 48 hours. Almost 50 percent of the northern firms, but less than 25 percent of the southern firms, reported a work week of 40 hours for deliverymen; about 15 percent of the northern firms and about 30 percent of the southern firms had work weeks of over 48 hours (fig. 5).

Office Workers

It is estimated that a minimum of 75 percent of all office work results from the delivery operations. Therefore, since delivery is on a 6-day week, most offices,

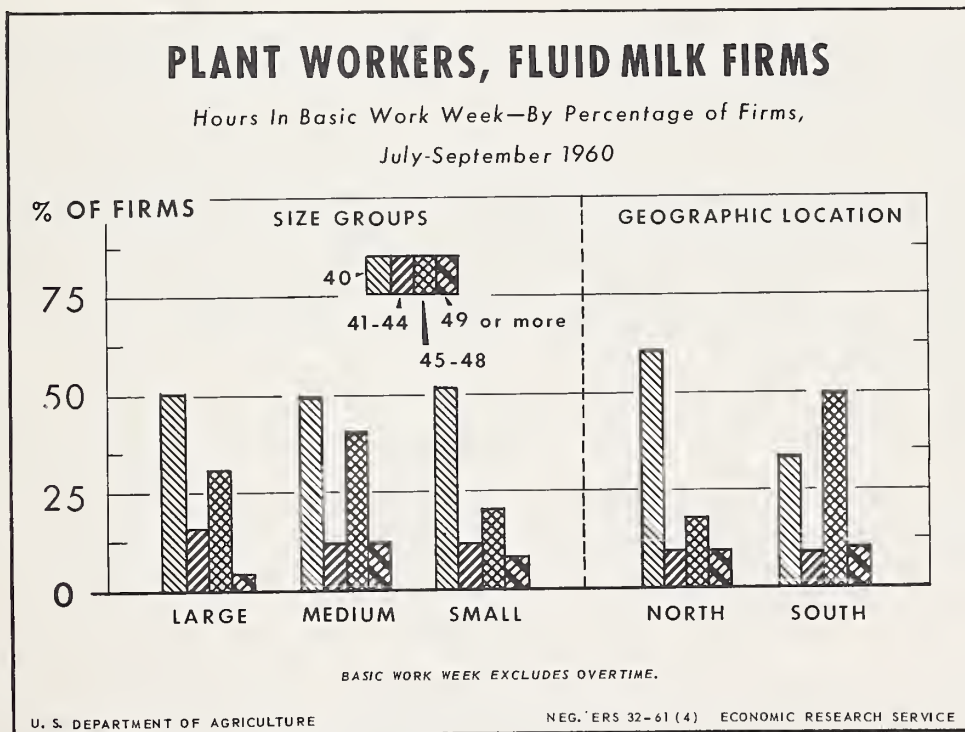


Figure 4

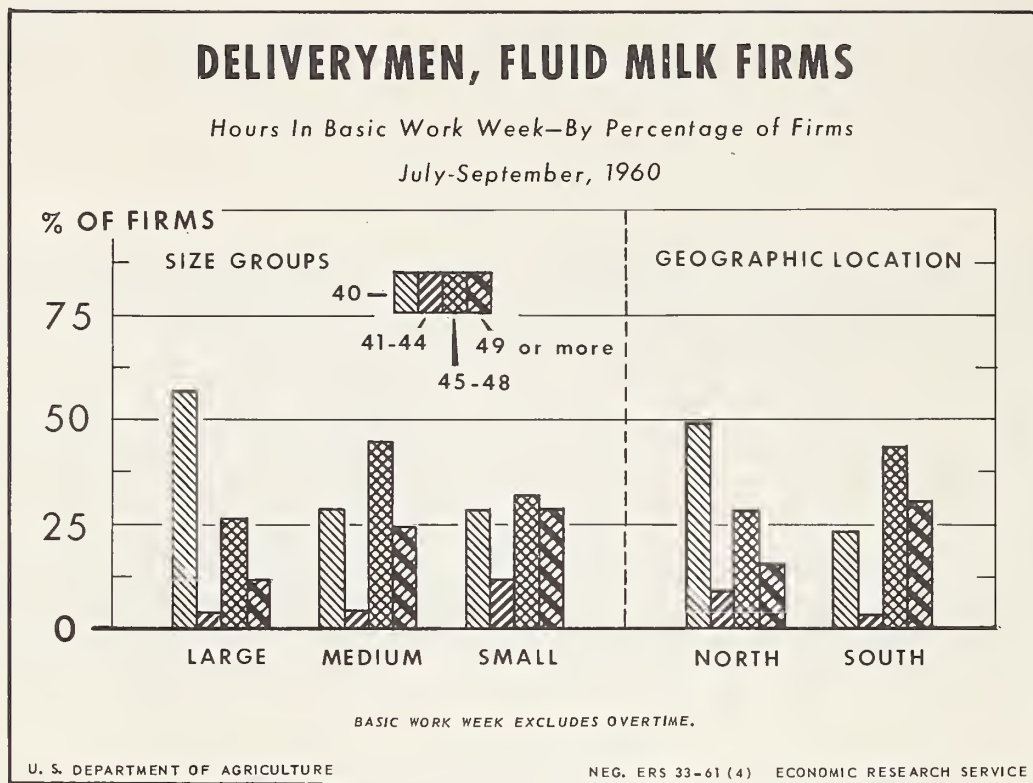


Figure 5

for at least some functions, work 5 1/2 or 6 days a week. In most firms the individual office employee works 8 hours a day, 5 days a week, and some are off work each day Monday through Saturday.

For office workers, as for deliverymen, size of operation and geographic location were factors in the length of the work week. One large northern firm had a work week of 38 hours for the office workers. Eighty-five percent of the large firms and 60 percent of the medium and small firms had work weeks of 40 hours. About 77 percent of the northern firms and 55 percent of the southern firms had 40-hour weeks. The 44-hour week was fairly common in the medium size firms and in the southern firms (fig. 6).

Fieldmen

Work weeks of fieldmen were not analyzed because few firms hire them and many fieldmen work only part time.

Overtime

Overtime work was common in fluid milk firms. The frequency of overtime was related to both the function and the length of the basic work week: Overtime occurred most often for plant workers and for the 40-hour week.

About 35 percent of all firms reported overtime for plant workers. Of the firms

OFFICE WORKERS, FLUID MILK FIRMS

Hours In Basic Work Week—By Percentage of Firms,
July-September, 1960

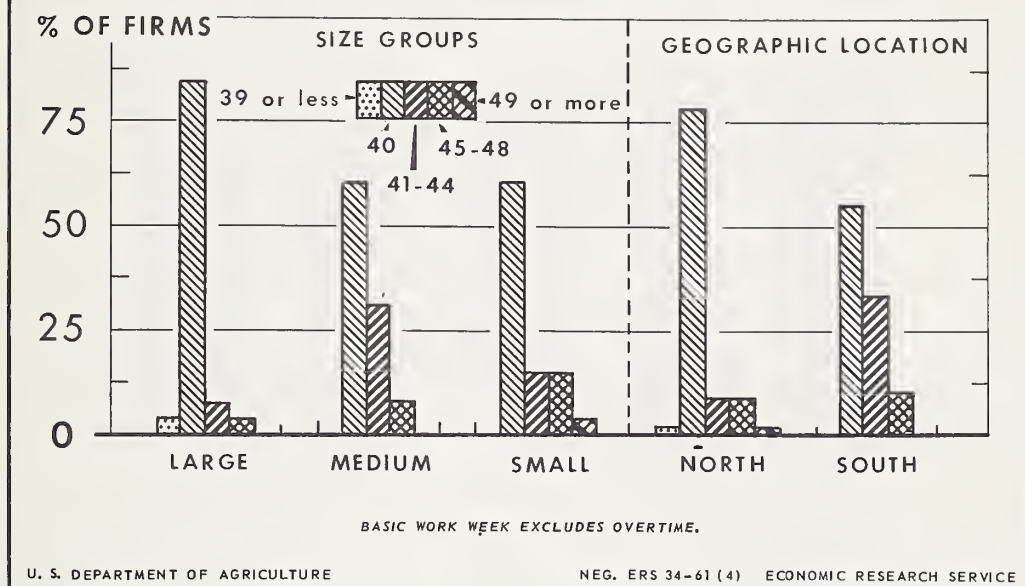


Figure 6

with a 40-hour basic work week, 41 percent reported overtime.

Less than 15 percent of the firms reported overtime for deliverymen. Half of these were for deliverymen on a 40-hour week.

Overtime for office workers was reported by 18 percent of the firms. Of the firms with a 40-hour week, 21 percent reported overtime.

Hourly Earnings and Rates of Pay

Deliverymen receive the highest pay of all wage employees of fluid milk firms. The average wage rate of deliverymen, \$2.35 an hour, was 15 percent higher than for fieldmen, 21 percent higher than for plant workers, and 29 percent higher than for office workers (fig. 7).

Wage incomes of deliverymen exceeded that of other workers by considerably more than would be indicated by rates of pay. The individual deliverymen, on the average, worked more hours per week than other workers. Office workers, on the other hand, had the lowest wage income because they had both the lowest rate of pay and shortest work week.

Hourly rates of pay averaged higher in large firms--about 11 percent higher than in medium size firms, and about 14 percent higher than in small firms. The largest difference was for deliverymen, both in absolute amounts and in relative amounts. Small firms paid the lowest rates for each worker category (fig. 7). Office

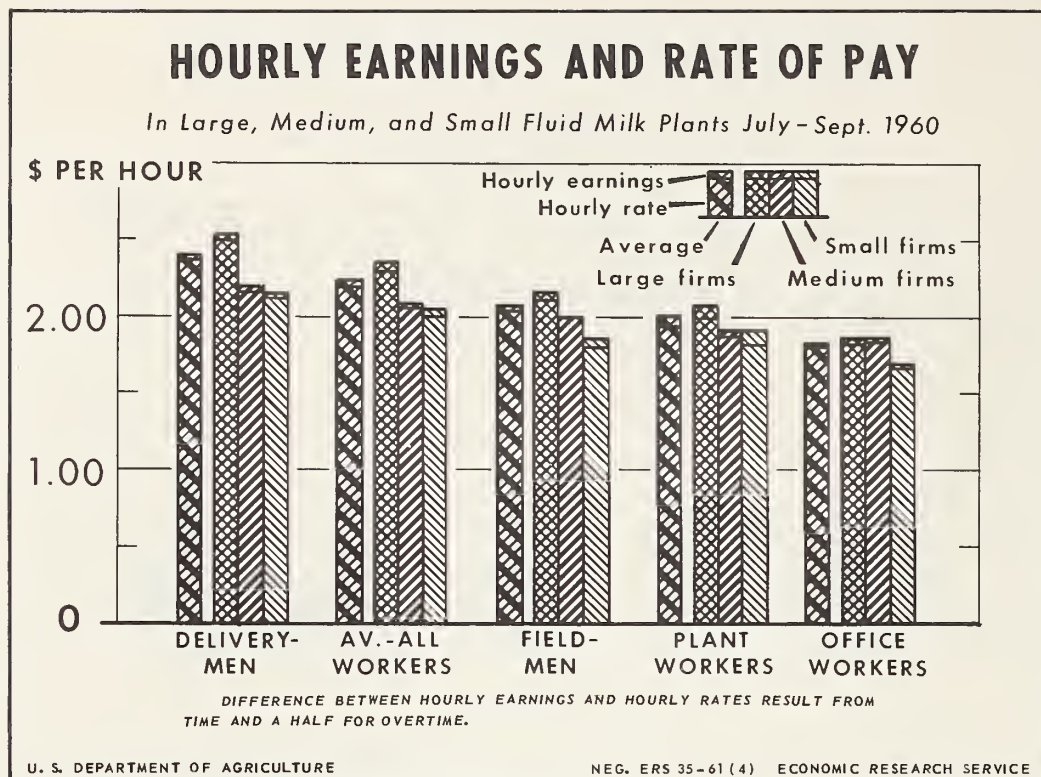


Figure 7

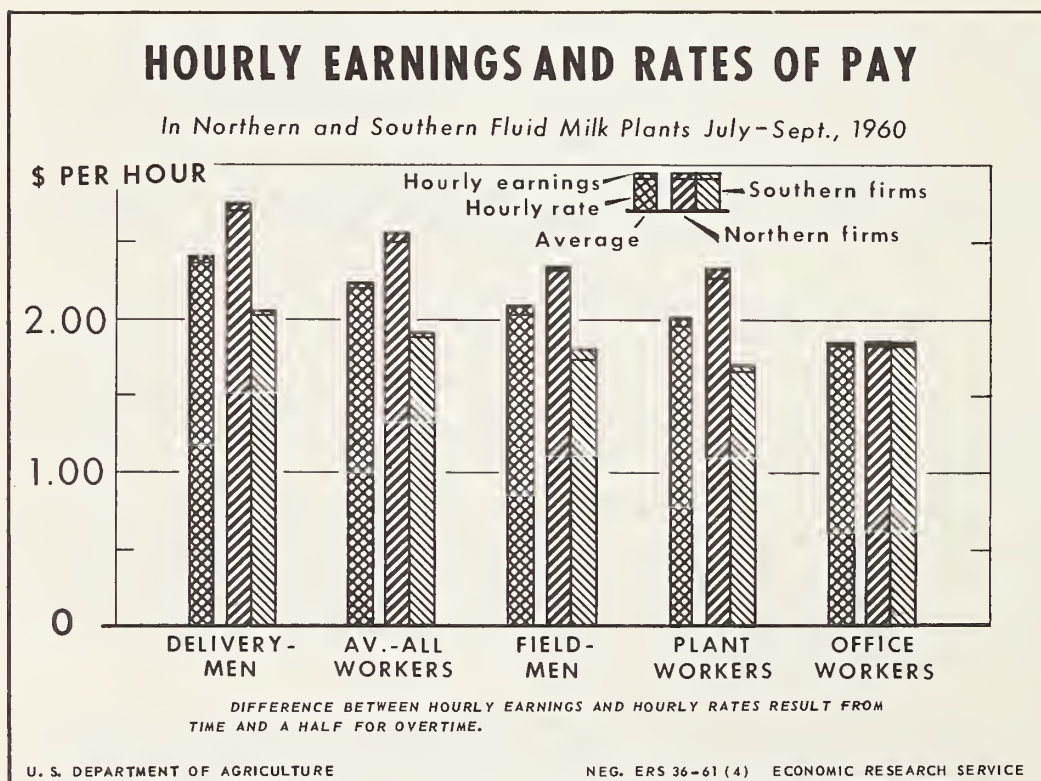


Figure 8

workers received the same rates of pay from large and medium size firms.

Northern firms paid higher average wages than southern firms for all workers and higher wages for each wage category except office workers. In northern firms, average wages for all workers were about 30 percent higher, wages of delivermen, 33 percent higher, and wages of plant workers 37 percent higher (fig. 8).

Overtime added to the earnings of employees. Average earnings per hour were about 2 percent higher than average rates per hour. Plant workers on a 40-hour week gained most from overtime; their hourly earnings were over 3 percent higher than their hourly rates. Office workers gained the least from overtime--less than 1/2 percent.

Executives

Earnings of executives of fluid milk firms were not analyzed in terms of hourly rates or hourly income since they are paid on a monthly basis. They do not receive extra pay for overtime but frequently receive bonuses based upon sales or profits. Nearly two-thirds of the firms reported a longer work week for executives than for office workers.

Executives' salaries averaged \$1,175 per month and were highest for medium sized firms. There appeared to be little or no consistency in executive salaries either by size group or by geographic distribution of firms. For large firms, average salaries ranged from \$500 to \$4,231 per month; for medium size firms, from \$607 to \$4,487 per month; and for small firms, \$275 to \$2,555 per month. For northern firms, average salaries per firm ranged from \$275 to \$4,487 per month; for southern firms, from \$500 to \$4,231 per month.

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